

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1088)

ENTERING INTO COAL SUPPLY FRAMEWORK AGREEMENT

COAL SUPPLY FRAMEWORK AGREEMENT

As disclosed in the Announcement, the Company has entered into the Current Coal Supply Framework Agreement with Tianjin Jinneng to provide for the supply of coal by the Group to the Tianjin Jinneng Group, the term of which will end on 31 December 2010.

To provide for future coal supply to the Tianjin Jinneng Group, the Company has entered into a new Coal Supply Framework Agreement with Tianjin Jinneng on 12 March 2010. Pursuant to the Coal Supply Framework Agreement, the Group has agreed to sell and supply coal to the Tianjin Jinneng Group and the Coal Supply Framework Agreement will be effective from 1 January 2011.

HONG KONG LISTING RULES IMPLICATIONS

Since Tianjin Jinneng is a substantial shareholder of Jinneng Power, a subsidiary of the Company, Tianjin Jinneng is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Coal Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps under the Coal Supply Framework Agreement, certain applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) are more than 2.5%. Therefore, in addition to complying with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, Independent Shareholders' approval will be required pursuant to Rule 14A.48 of the Hong Kong Listing Rules. The Company will seek approval from the Independent Shareholders and comply with other requirements under the Hong Kong Listing Rules.

INTRODUCTION

As disclosed in the Announcement, the Company has entered into the Current Coal Supply Framework Agreement with Tianjin Jinneng to provide for the supply of coal by the Group to the Tianjin Jinneng Group, the term of which will end on 31 December 2010.

To provide for future coal supply to the Tianjin Jinneng Group, the Company has entered into a new Coal Supply Framework Agreement with Tianjin Jinneng on 12 March 2010. Pursuant to the Coal Supply Framework Agreement, the Group has agreed to sell and supply coal to the Tianjin Jinneng Group and the Coal Supply Framework Agreement will be effective from 1 January 2011.

COAL SUPPLY FRAMEWORK AGREEMENT

Date

12 March 2010

Parties

The Company and Tianjin Jinneng

Continuing transaction

Pursuant to the Coal Supply Framework Agreement:

- (1) the Group has agreed to sell and supply coal to the Tianjin Jinneng Group; and
- (2) the Tianjin Jinneng Group has agreed to purchase coal from the Group.

Term and termination

The Coal Supply Framework Agreement is conditional on the Company's compliance of all announcement, shareholders' approval and other requirements under the Hong Kong Listing Rules in respect of the Coal Supply Framework Agreement and is effective from 1 January 2011 and will end on 31 December 2013.

Price determination

Pursuant to the Coal Supply Framework Agreement, the price of coal supplied is determined by reference to and in accordance with the prevailing market price.

Past transactions

The aggregate transaction amounts under the Current Coal Supply Framework Agreement for the two years ended 31 December 2008 and 31 December 2009 and the period from 1 January 2010 to 31 January 2010 are within the existing annual caps of the Current Coal Supply Framework Agreement and are set out as follows:

	Year ended 31 December 2008	Year ended 31 December 2009	Period from 1 January 2010 to 31 January 2010
	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>
Supply of coal by the Group to the Tianjin Jinneng Group	approximately 802	approximately 779	approximately 23

Proposed annual caps

Based on estimates of demand and operating conditions in respect of the Current Coal Supply Framework Agreement, assumed future business volume and growth of the Group, estimated future production capacity and business of the Group, general economic outlook of the PRC and the Company's estimate on future coal prices, the Company proposes that the annual caps of the Coal Supply Framework Agreement for the three years ending on 31 December 2011, 31 December 2012 and 31 December 2013, respectively, be set as follows:

	Year ending 31 December 2011	Year ending 31 December 2012	Year ending 31 December 2013
	<i>Proposed Cap (RMB million)</i>	<i>Proposed Cap (RMB million)</i>	<i>Proposed Cap (RMB million)</i>
Supply of coal by the Group to the Tianjin Jinneng Group	4,100	4,400	4,800

It is expected that there will be substantial increase in the sales and supply of coal by the Group to the Tianjin Jinneng Group mainly due to new power plants of the Tianjin Jinneng Group becoming operational, increase in unit price for coal, and continued increase in coal production capacity of the Group. Further, the Group is expected to generate better economic returns through its coal supply to the Tianjin Jinneng Group with increased annual caps.

Implementation agreements and payment

Members of the Group may, from time to time and as necessary, enter into separate implementation agreements for each specific transaction contemplated under the Coal Supply Framework Agreement with members of the Tianjin Jinneng Group. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the supply of coal as contemplated by the Coal Supply Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Coal Supply Framework Agreement and the annual caps.

All payment made pursuant to the Coal Supply Framework Agreement and its implementation agreements will be made in cash.

CONNECTED TRANSACTION AND HONG KONG LISTING RULES IMPLICATIONS

Since Tianjin Jinneng is a substantial shareholder of Jinneng Power, a subsidiary of the Company, Tianjin Jinneng is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Coal Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps under the Coal Supply Framework Agreement, certain applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) are more than 2.5%. Therefore, in addition to complying with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, Independent Shareholders' approval will be required pursuant to Rule 14A.48 of the Hong Kong Listing Rules. The Company will seek approval from the Independent Shareholders and comply with other requirements under the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction (other than those carried out pursuant to the Current Coal Purchase Framework Agreement) entered into between the Group and the Tianjin Jinneng Group and its ultimate beneficial owners within a 12 months period from the date of this announcement or otherwise related, which would, together with transactions under the Coal Supply Framework Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

BACKGROUND TO AND REASONS FOR ENTERING INTO THE COAL SUPPLY FRAMEWORK AGREEMENT AND ITS BENEFITS TO THE COMPANY

The Group sells coal to a number of power plants owned by the Tianjin Jinneng Group and receives in return payment on normal commercial terms.

GENERAL

The Directors consider that the terms of the Coal Supply Framework Agreement and the proposed annual caps are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

INFORMATION RELATING TO THE PARTIES

The Group

The Group operates an integrated coal-based energy business in the PRC, including coal production, transportation and sales as well as power generation. The Group also purchases thermal coal and purchases coal from third parties for coal blending and resale.

The Tianjin Jinneng Group

Tianjin Jinneng is a state-owned corporation established in the PRC. The Tianjin Jinneng Group is principally engaged in investment, construction, operation and management of energy industry including electricity power, thermal power, gas power and renewable power.

GENERAL INFORMATION

An Independent Board Committee has been formed to advise the Independent Shareholders on the Coal Supply Framework Agreement, the transactions contemplated under the Coal Supply Framework Agreement and the proposed annual caps thereto. The Independent Board Committee has also approved the appointment of China Merchants Securities (HK) Co., Limited as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in accordance with the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the transaction contemplated under the Coal Supply Framework Agreement.

A general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the Coal Supply Framework Agreement and the proposed annual caps thereto. A circular containing, among other things, further details, the letter from the Independent Board Committee and the recommendation from the independent financial adviser, together with a notice convening a general meeting of the Company will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context requires otherwise:

“Announcement”	the announcement dated 23 December 2007 of the Company;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Board”	the board of Directors;
“Coal Supply Framework Agreement”	the Coal Supply Framework Agreement dated 12 March 2010 entered into between the Company and Tianjin Jinneng;
“Company”	China Shenhua Energy Company Limited (中國神華能源股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Current Coal Supply Framework Agreement”	the Coal Supply Framework Agreement dated 20 September 2007 entered into between the Company and Tianjin Jinneng;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	an independent board committee of the Board comprising of all the independent non-executive Directors;
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution(s) in relation to the Coal Supply Framework Agreement to be proposed at a general meeting of the Company under the Hong Kong Listing Rules;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;

“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin Jinneng”	Tianjin Jinneng Investment Company (天津市津能投資公司), a state-owned corporation established in the PRC; and
“Tianjin Jinneng Group”	Tianjin Jinneng, its subsidiaries and associates.

By order of the Board
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 12 March 2010

As at the date of this announcement, the Board comprises Dr. Zhang Xiwu and Dr. Ling Wen, as executive Directors, Dr. Zhang Yuzhuo and Mr. Han Jianguo, as non-executive Directors, and Mr. Huang Yicheng, Mr. Anthony Francis Neoh, Dr. Chen Xiaoyue and Mr. Gong Huazhang, as independent non-executive Directors.